GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2993
ANSWERED ON:07.12.2001
SHORT TERM LOANS TO FARMERS
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Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that short-term loan which was beneficial for small farmers has been discontinued by banks;

(b) if so, the reasons for discontinuing the short-term loan to farmers;

(c) whether the Government propose to restart the scheme of short term Joan on easy terms in addition to regular cane development loan scheme to help farmers to produce more cane of improved variety to curb the sickness of sugar industry; and

(d) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b), (d & (d): Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) have reported tha short term loan disbursal to small farmers has not been discontinued by banks. Instead, with a view to strengthen the flow of credit to small and marginal farmers, certain relaxations in regard to margin money requirements, security norms, etc. have been extended to such borrowers under the priority sector. These relaxations include non-insistence by banks on margin money for crop loans/term loans granted upto Rs.10000/-, non-insistence upon collateral security jthird party guarantee for crop loans upto Rs 10000 discretion of banks in matters relating to marginj security on loans above Rs.10000 insistence upon payment of interest only at the time of repayment of loan instalments fixed, non-compounding of interest on current dues in respect of long duration crop loans and instalments not falling due in respect of term loans, not exceeding the principal amount the total interest debited to the account of small and marginal farmers, etc.